EXHIBIT 16

CONNETICS CORP

3400 W BAYSHORE RD
PALO ALTO, CA 94303
415. 843.2800

8-K

FORM 8-K
Filed on 01/25/2005 - Period: 01/25/2005
File Number 000-27406

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

January 25, 2005
Date of Report (Date of earliest event reported)

CONNETICS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	0-27406	94-3173928
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

3290 West Bayshore Road, Palo Alto, California 94303
(Address of principal executive offices, including zip code)

(650) 843-2800
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02. Results of Operations and Financial Condition.

On January 25, 2005 Connetics Corporation, issued a press release announcing earnings for the quarter ended December 31, 2004. A copy of the earnings release is furnished as Exhibit 99.1 to this report.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
99.1	Press Release dated January 25, 2005.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONNETICS CORPORATION

By: /s/ John L. Higgins

John L. Higgins
Executive Vice President, Finance and Corporate Development, and Chief Financial Officer

Date: January 25, 2005

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Exhibit Number	Description
99.1	Press Release dated January 25, 2005

CONNETICS CORP

3400 W BAYSHORE RD
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EX-99.1

EXHIBIT 99.1
8-K Filed on 01/25/2005 - Period: 01/25/2005
File Number 000-27406

EXHIBIT 99.1

[CONNETICS LOGO]

CONNETICS REPORTS FOURTH QUARTER EPS OF $0.17 AND PRODUCT REVENUES UP 128% TO $43.5 MILLION

CONCLUDES FIRST YEAR OF PROFITABILITY WITH $0.52 EPS

PROVIDES FULL YEAR AND FIRST QUARTER 2005 FINANCIAL GUIDANCE

PALO ALTO, CALIF. (JANUARY 25, 2005) - Connetics Corporation (Nasdaq: CNCT), a specialty pharmaceutical company that develops and commercializes dermatology products, today reported record net income for the 2004 fourth quarter of $6.4 million, or $0.17 per diluted share, compared with $1.5 million, or $0.05 per diluted share, for the comparable quarter last year.

Total revenues for the fourth quarter of 2004 rose 115% to $43.8 million, compared with $20.3 million for the fourth quarter of 2003. Product revenues rose 128% to $43.5 million, reflecting $22.6 million in sales of OLUX(R) and Luxiq(R), $18.0 million in sales of Soriatane(R) and $2.9 million in sales of Evoclin(TM), which was launched in December 2004. Combined OLUX and Luxiq revenues increased 19% compared with the fourth quarter of 2003.

Selling, general and administrative (SG&A) expenses increased to $22.8 million in the fourth quarter of 2004 from $10.1 million in the fourth quarter of 2003, primarily due to payments made to UCB Pharma (UCB) for promotional activities on behalf of OLUX and Luxiq, launch-related costs for Evoclin, increased promotional activities for all products and increased headcount primarily related to Connetics' salesforce expansion. Research and development (R&D) expenses were $5.7 million, down from $6.5 million in the fourth quarter of 2003.

"Strong product revenue growth during 2004 contributed to our first full year of profitability and the fifth consecutive year of growth in our core brands OLUX and Luxiq," said Thomas G. Wiggans, President and Chief Executive Officer of Connetics. "Our first product in the acne market, Evoclin, was approved and launched during the fourth quarter. While early in the launch phase, the prescription data has been strong and the feedback from physicians has been encouraging, which we believe bodes well for a dynamic and expanding presence for Connetics in the acne market. We also marked the success of 2004 with the acquisition of Soriatane. Through our promotional efforts Soriatane was a significant financial contributor in 2004 and also was an important product for patients. With four marketed brands, a substantially expanded commercial team and a robust product pipeline, we believe Connetics is poised for another exciting and highly productive year."

Significant activities in the fourth quarter of 2004 and subsequent weeks included:

- Receiving U.S. Food and Drug Administration (FDA) approval of Evoclin (clindamycin Foam, 1%) for the topical treatment of mild-to-moderate acne vulgaris, and the commencement of shipments to pharmaceutical wholesalers, retail pharmacies, hospitals and other institutional customers nationwide.
- Launching a comprehensive sales and marketing program for Evoclin that is expected to include a strong presence at relevant medical conferences, particularly in the first quarter of 2005, by way of poster and symposia presentations, as well as journal advertising, direct promotion, media relations and internet marketing campaigns.

- Hiring 66 sales professionals, which more than doubled the salesforce to 124 professionals and positions Connetics as a strong commercial force in the dermatology market.
- Receiving an FDA non-approvable letter for the Company's product candidate Extina(R). The Company plans to meet with the FDA early in 2005 to discuss the actions required to obtain approval for Extina.

2004 FULL YEAR FINANCIAL RESULTS
Net income for 2004 was $19.4 million, or $0.52 per diluted share, which includes a third quarter $3.5 million milestone payment to Yamanouchi associated with the filing of the Velac(R) New Drug Application. This compares with a net loss of $4.1 million, or $0.13 per share, for 2003.

Total revenues for 2004 rose 92% to $144.4 million, and product revenues increased 113% to $142.1 million, reflecting growth in OLUX and Luxiq, the addition of Soriatane in March and the launch of Evoclin in December.

SG&A expenses increased to $71.9 million for 2004, compared with $40.9 million for 2003, primarily due to payments made to UCB for promotional activities related to OLUX and Luxiq, increased promotional activities for all products and increased headcount. R&D expenses for 2004 were $21.0 million, down from $29.6 million during 2003 primarily due to the completion of pivotal trials with Extina, Evoclin and Velac.

Cash and investments, including restricted cash, totaled $76.3 million on December 31, 2004.

2005 FULL YEAR AND FIRST QUARTER FINANCIAL GUIDANCE
Connetics expects 2005 total revenues to be between $190 million and $200 million, representing an increase of 32% to 39% compared with 2004. Combined SG&A and R&D expenses are projected to be between $116 million and $123 million. Diluted EPS for 2005 is projected to grow by approximately 70% and to be in the range of $0.88 to $0.92, based on an estimated 42.3 million shares outstanding and an estimated effective tax rate of 10%. Assuming FDA approval of Velac during 2005, the Company anticipates making a milestone payment of $5 million to Yamanouchi. This payment will be capitalized and amortized over the life of the patent, which expires in 2014.

The Company expects first quarter 2005 total revenues to be between $42 million and $44 million. Consistent with prior years of heavier expenditures in the first quarter compared with the immediately preceding quarter, Connetics projects combined SG&A and R&D expenses for the first quarter to range from $33.5 million to $35.5 million, reflecting a significant presence at dermatology conferences during the quarter, an increase in product promotion costs, particularly the Evoclin launch, and higher costs associated with a significantly expanded salesforce. Connetics projects net income per share for the first quarter of 2005 of $0.01 or $0.02.

In assessing the Company's financial guidance, Connetics' management considered many factors and assumptions including, but not limited to, current and projected prescription information; sales trend data; the potential generic availability of, and competitive threats to, the Company's products; size, reach and call frequency of the Company's selling organization; status, timing and progression of the Company's development projects; current and projected spending levels to support sales, marketing, development and administrative activities; and other risk factors discussed in Connetics' publicly filed documents. The above guidance does not take into account the effect of expensing stock options.

CONFERENCE CALL
Connetics management will host a conference call to discuss the Company's financial performance today at 4:30 p.m. Eastern Time/1:30 p.m. Pacific Time. To participate in the live call, domestic callers should dial (888) 328-2575, international callers should dial (706) 643-0459 or the web cast can be accessed from the investor relations section of the Company's website at www.connetics.com. A telephone replay can be accessed for 48 hours beginning today at 6:30 p.m. Eastern Time/3:30 p.m. Pacific Time from the U.S., by

dialing (800) 642-1687, or (706) 645-9291 from outside the U.S. The Conference ID# is 3252801. The internet replay of the call will be available for 30 days at www.connetics.com.

ABOUT CONNETICS

Connetics Corporation is a specialty pharmaceutical company focused on the development and commercialization of innovative therapeutics for the dermatology market. Connetics has branded its proprietary foam drug delivery vehicle VersaFoam(R). The Company's marketed products are OLUX(R) (clobetasol propionate) Foam, 0.05%, Luxiq(R) (betamethasone valerate) Foam, 0.12%, Soriatane(R) (acitretin) capsules and Evoclin(TM) (clindamycin) Foam, 1%. Connetics is developing Velac(R) (a combination of 1% clindamycin and 0.025% tretinoin) Gel, for treating acne, and Desilux(TM) (desonide) VersaFoam-EF, 0.05% a low-potency topical steroid formulated to treat atopic dermatitis. Connetics' product formulations aim to improve the management of dermatological diseases and provide significant product differentiation. In the Company's marketed products, these formulations have earned wide acceptance by both physicians and patients due to their clinical effectiveness, high quality and cosmetic elegance. For more information about Connetics and its products, please visit www.connetics.com.

FORWARD LOOKING STATEMENTS

Except for historical information, this press release includes "forward-looking statements" within the meaning of the Securities Litigation Reform Act. All statements included in this press release that address activities, events or developments that Connetics expects, believes or anticipates will or may occur in the future, including particularly statements about earnings estimates, future financial performance and financial guidance, are forward-looking statements. Statements pertaining to revenue expectations, revenue growth, the timing and success of the launch of Evoclin and performance of other of Connetics' products or product candidates are also forward-looking statements. These forward-looking statements are based on certain assumptions made by Connetics' management based on experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond Connetics' control, and which could cause actual results or events to differ materially from those expressed in such forward-looking statements. No assurances can be given that these events will occur or that such results will be achieved. Factors that could cause or contribute to differences in actual results or events include, but are not limited to, risks and other factors that are discussed in documents filed by Connetics with the Securities and Exchange Commission from time to time, including Connetics' Annual Report on Form 10-K for the year ended December 31, 2003 and Form 10-Q for the quarter ended September 30, 2004. Connetics disclaims any intent or obligation to update any forward-looking statements, which represent the judgment of the Company's management as of the date of this release.

CONTACTS:

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Press Release Code: CNCT-F

CONNETICS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2004	2003	2004	2003
Revenues:				
Product	$ 43,495	$ 19,115	$ 142,059	$ 66,606
Royalty and contract	281	1,223	2,296	8,725
Total revenues	$ 43,776	20,338	144,355	75,331
Operating costs and expenses:				
Cost of product revenues	4,443	1,484	12,656	5,129
Research and development	5,687	6,518	20,968	29,561
Selling, general and administrative	22,849	10,111	71,949	40,908
Depreciation and amortization	3,750	574	12,903	2,240
Acquired in-process research and development and milestone payments	--	--	3,500	--
Total operating costs and expenses	36,729	18,687	121,976	77,838
Income (loss) from operations	7,047	1,651	22,379	(2,507)
Interest and other income (expense), net	(202)	(254)	(1,475)	(426)
Income (loss) before income taxes	6,845	1,397	20,904	(2,933)
Provision for (benefit from) income taxes	459	(124)	1,493	1,167
Net income (loss)	$ 6,386	$ 1,521	$ 19,411	$ (4,100)
Net income (loss) per share:				
Basic	$ 0.18	$ 0.05	$ 0.55	$ (0.13)
Diluted	$ 0.17	$ 0.05	$ 0.52	$ (0.13)
Shares used to calculate net income (loss) per share:				
Basic	35,695	31,781	35,036	31,559
Diluted	38,172	33,759	37,443	31,559

CONNETICS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

	DECEMBER 31, 2004	DECEMBER 31, 2003
ASSETS		
Assets:		
Cash, cash equivalents and short-term investments	$ 72,382	$114,662
Restricted cash	3,963	304
Accounts receivable and other current assets	25,100	7,408
Soriatane asset, net	120,249	--
Property and equipment, net	11,830	5,628
Other long-term assets	12,204	17,895
Total assets	$245,728	$145,897
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities and stockholders' equity:		
Current liabilities	$ 27,388	$ 10,127
Other liabilities	90,024	90,016
Stockholders' equity	128,316	45,754
Total liabilities and stockholders' equity	$245,728	$145,897

# # #

EXHIBIT 17

CONNETICS CORP

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8-K

FORM 8-K
Filed on 04/26/2005 - Period: 04/26/2005
File Number 000-27406

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

April 26, 2005
Date of Report (Date of earliest event reported)

CONNETICS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**0-27406**	**94-3173928**
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

3160 Porter Drive, Palo Alto, California 94304
(Address of principal executive offices, including zip code)

(650) 843-2800
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02. Results of Operations and Financial Condition.

On April 26, 2005 Connetics Corporation, issued a press release announcing earnings for the quarter ended March 31, 2005. A copy of the earnings release is furnished as Exhibit 99.1 to this report.

Item 8.01. Other Events.

Over the past several weeks Connetics has been responding to the Food and Drug Administration's, ("FDA") questions regarding the Company's New Drug Application ("NDA") for its product candidate Velac. As part of this dialogue, the Company recently received communications from the FDA indicating that the agency was interpreting some of the results of a pre–clinical study for Velac® Gel differently than the Company did in the NDA submission. The preclinical study in question involved a transgenic mouse model. In the study, there was a positive response to the product. The Company carefully analyzed the results with a panel of leading toxicologists and experts in this model. The experts advised the Company that the transgenic mouse model is known to have limitations, and the experts concluded that the positive response was the result of a limitation of the model. The advice of these experts is supported by other products which had a positive finding but were ultimately approved based on additional work in other animal models. The Company is continuing its discussions with the FDA and expects to submit additional information which further supports the Company's original conclusion.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
99.1	Press Release dated April 26, 2005.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONNETICS CORPORATION

By: /s/ John L. Higgins
John L. Higgins
Executive Vice President, Finance and Corporate Development, and Chief Financial Officer

Date: April 26, 2005

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Exhibit Number	Description
99.1	Press Release dated April 26, 2005

CONNETICS CORP

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EX-99.1

EXHIBIT 99.1
8-K Filed on 04/26/2005 - Period: 04/26/2005
File Number 000-27406

Exhibit 99.1

CONNETICS ANNOUNCES FIRST QUARTER RESULTS WITH PRODUCT SALES UP 79 PERCENT

PALO ALTO, Calif. (April 26, 2005) – Connetics Corporation (Nasdaq: CNCT), a specialty pharmaceutical company that develops and commercializes dermatology products, announced today net income for the first quarter ended March 31, 2005 of $1.0 million, or $0.03 per diluted share. This compares with net income of $1.9 million, or $0.05 per diluted share, for the first quarter of 2004.

Total revenues for the first quarter of 2005 were $42.4 million, compared with total revenues of $25.0 million for the comparable period in 2004. Total product sales for the first quarter of 2005 increased 79% to $42.2 million, compared with $23.6 million for the comparable period in 2004, reflecting growth in sales of OLUX® and Luxíq®, a full quarter of sales of Soriatane®, which was acquired in March 2004, and our first full quarter of sales of Evoclin™, which was introduced in December 2004.

First quarter 2005 sales of OLUX and Luxíq were $21.4 million, representing an increase of 8% over the same period in 2004. Soriatane sales were $17.6 million during the quarter and Evoclin sales were $3.1 million. Royalty and contract revenues for the first quarter of 2005 were $181,000 lower as compared with $1.4 million in the first quarter of 2004, primarily as a result of the final royalty payment from S.C. Johnson in the first quarter of 2004.

Selling, general and administrative expenses for the first quarter of 2005 increased to $27.6 million from $15.1 million in the same period last year, reflecting a more than doubling of the sales force, non-dermatology promotional activities provided by UCB Pharma, Inc. as well as marketing and promotional activities related to the launch of Evoclin. Research and development expenses were $5.8 million during the quarter, compared with $4.3 million during the same period last year, due to increased clinical activities related to the ongoing Desilux™ VersaFoam-EF™ trials and the initiation of trials for Primolux™ VersaFoam-EF.

The Company had cash and investments, including restricted cash, as of March 31, 2005 of $237.8 million, including $159.0 million in net proceeds from the private placement of convertible senior notes late in the first quarter.

"I am very pleased to report on a busy first quarter that included sales from our newly launched Evoclin product and the successful completion of a $200 million convertible financing," said Thomas G. Wiggans, Chief Executive Officer of Connetics. "We expect further revenue gains from our expanded sales force and new contract sales agreement with Ventiv for three of our products. Additionally, we have a number of near-term regulatory and clinical milestones as outlined during our Analyst and Investor Day event held on April 14, 2005."

Significant activities in the first quarter of 2005 and subsequent weeks included:

- Signing an agreement with Ventiv Commercial Services Group (VCS), a division of Ventiv Health, Inc., to deploy a sales force dedicated to provide sales support for OLUX, Luxíq and Evoclin to primary care physicians and pediatricians through 2006. Product promotional activities under the agreement commenced on April 18, 2005.

(more)

- Commencing the Phase III clinical program for Primolux VersaFoam–EF (formerly referred to as OLUX–EF), a super high–potency topical steroid, formulated with 0.05% clobetasol propionate in the Company's proprietary emulsion foam delivery vehicle. The clinical program will consist of two Phase III trials focusing on atopic dermatitis and psoriasis both of which are actively enrolling.
- Raising $200 million in an offering of convertible senior unsecured notes. Connetics used $35 million of the net proceeds from the offering to complete an open market purchase of the Company's common stock.
- Presenting 11 posters at the American Academy of Dermatology's 63rd annual meeting.

Financial Guidance
For the second quarter of 2005, Connetics projects total revenue of $45 million to $47 million. Second quarter combined SG&A and R&D expenses are projected to be in the range of $34 million to $36 million. Earnings per diluted share for the second quarter of 2005 are projected to be $0.06 to $0.08.

Reiterating 2005 financial guidance as updated on April 14, 2005, the Company anticipates total revenues to be in the range of $195 million to $206 million and combined SG&A and R&D expenses to be in the range of $121 million to $128 million. Earnings per diluted share for 2005 are expected to be $0.88 to $0.92. 2005 guidance assumes the launch of Velac in the third quarter.

In determining the Company's financial guidance, Connetics' management considered many factors and assumptions including, but not limited to, current and projected prescription information; sales trend data of the Company's products; the potential generic availability of, and competitive threats to, the Company's products; size, reach and call frequency of the Company's selling organization; status, timing and progression of the Company's development projects; current and projected spending levels to support sales, marketing, development, and administrative activities; and other risk factors discussed in Connetics' publicly filed documents. The above guidance does not take into account conversion of the Company's convertible senior notes, the effect of expensing stock options or the potential impact of other components of Connetics' growth strategy, including possible future acquisitions of products, businesses and/or technologies.

Conference Call
On the conference call, Connetics management will review key updates on areas including quarterly product performance, commercialization activities, the Ventiv co–promotion partnership, product pipeline, and financial highlights. In addition, management will provide an update on the regulatory status of Velac. Connetics will host a conference call to discuss first quarter financial results beginning at 4:30 p.m. Eastern Time/1:30 p.m. Pacific Time today. To participate in the live call by telephone, domestic callers should dial (888) 328–2575, and international callers should dial (706) 643–0459. To listen to the conference call live via the Internet, go to the investor relations section of www.connetics.com. A telephone replay will be available for 48 hours beginning today at 6:30 p.m. Eastern Time/3:30 p.m. Pacific Time. To access the replay from the U.S., please dial (800) 642–1687; and from outside the U.S. please dial (706) 645–9291. The Conference ID# is 5419652. The internet replay of the call will be available for 30 days at www.connetics.com.

About Connetics
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(more)

effectiveness, high quality and cosmetic elegance. For more information about Connetics and its products, please visit www.connetics.com.

Forward Looking Statements
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Tables Follow

(more)

CONNETICS CORPORATION

Condensed Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2005	2004
Revenues:		
Product	$ 42,190	$ 23,566
Royalty and contract	181	1,416
Total revenues	42,371	24,982
Operating costs and expenses:		
Cost of product revenues	3,766	1,568
Research and development	5,763	4,286
Selling, general and administrative	27,601	15,072
Depreciation and amortization	3,742	1,648
Total operating costs and expenses	40,872	22,574
Income from operations	1,499	2,408
Interest and other income (expense), net	(353)	(292)
Provision for income taxes	(105)	(243)
Net income	$ 1,041	$ 1,873
Net income per share:		
Basic	$ 0.03	$ 0.06
Diluted	$ 0.03	$ 0.05
Shares used to calculate net income per share:		
Basic	35,699	33,587
Diluted	38,014	35,887

(more)

CONNETICS CORPORATION

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	March 31, 2005	December 31, 2004
Assets		
Assets:		
Cash, cash equivalents and short–term investments	$ 233,705	$ 72,383
Restricted cash	4,109	3,963
Accounts receivable and other current assets	26,847	25,099
Other intangible assets, net	118,988	122,388
Property and equipment, net	12,813	11,830
Other long–term assets	17,879	10,065
Total assets	$ 414,341	$ 245,728
Liabilities and Stockholders' Equity		
Liabilities and stockholders' equity:		
Current liabilities	$ 28,438	$ 27,388
Other liabilities	290,446	90,420
Stockholders' equity	95,457	127,920
Total liabilities and stockholders' equity	$ 414,341	$ 245,728

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Connetics Corporation
3160 Porter Drive
Palo Alto, CA 94304

EXHIBIT 18

CONNETICS CORP

3400 W BAYSHORE RD
PALO ALTO, CA 94303
415. 843.2800

8-K

FORM 8-K
Filed on 06/13/2005 - Period: 06/13/2005
File Number 000-27406

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8–K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

June 13, 2005
Date of Report (Date of earliest event reported)

CONNETICS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**0–27406**	**94–3173928**
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

3160 Porter Drive, Palo Alto, California 94304
(Address of principal executive offices, including zip code)

(650) 843–2800
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8–K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a–12 under the Exchange Act (17 CFR 240.14a–12)

☐ Pre–commencement communications pursuant to Rule 14d–2(b) under the Exchange Act (17 CFR 240.14d–2(b))

☐ Pre–commencement communications pursuant to Rule 13e–4(c) under the Exchange Act (17 CFR 240.13e–4(c))

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Item 8.01. Other Events.

On June 13, 2005, Connetics Corporation ("Connetics") announced that the U.S. Food and Drug Administration (FDA) issued a non–approvable letter dated June 10, 2005 for Velac® (a combination of 1% clindamycin and 0.025% tretinoin) Gel, an investigational new drug formulation for treating acne. The only issue raised in the non–approvable letter was a positive carcinogenicity signal that was detected in a TgAC mouse dermal carcinogenicity study. A copy of the Connetics press release regarding Velac is attached as Exhibit 99.1 and is incorporated by reference in this Item 8.01.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

Exhibit Number	Description
99.1	Press Release dated June 13, 2005 regarding Velac.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONNETICS CORPORATION

By: /s/ Sanjiv S. Dhawan
Sanjiv S. Dhawan
Vice President, Corporate Counsel

Date: June 13, 2005

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Exhibit Number	Description
99.1	Press Release dated June 13, 2005 regarding Velac.

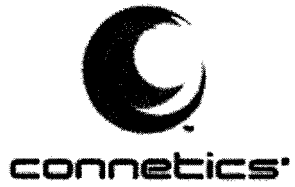
CONNETICS CORP

3400 W BAYSHORE RD
PALO ALTO, CA 94303
415. 843.2800

EX-99.1

EXHIBIT 99.1
8-K Filed on 06/13/2005 - Period: 06/13/2005
File Number 000-27406

Exhibit 99.1



CONNETICS RECEIVES FDA NON-APPROVABLE LETTER FOR VELAC

Conference Call to be held today at 8:00 a.m. Eastern/5:00 a.m. Pacific

PALO ALTO, Calif. (June 13, 2005) — Connetics Corporation (NASDAQ: CNCT), a specialty pharmaceutical company focused on dermatology, announced today that the U.S. Food and Drug Administration (FDA) issued a non-approvable letter dated June 10, 2005 for Velac® (a combination of 1% clindamycin and 0.025% tretinoin) Gel, an investigational new drug formulation for treating acne. The only issue raised in the non-approvable letter was a positive carcinogenicity signal that was detected in a TgAC mouse dermal carcinogenicity study.

"We are disappointed in the FDA's decision. As discussed during our first quarter earnings call on April 26, we were particularly disappointed that FDA did not notify us of this as a potential issue until two months prior to the PDUFA date," said Thomas G. Wiggans, chief executive officer of Connetics. "We remain committed to bringing Velac to market, and will be working with FDA representatives to determine what is required to do so. Despite this setback, Connetics will continue to expand its leading position in the dermatology field with four brands on the market and a robust and diverse pipeline."

As a result of today's announcement, Connetics now projects 2005 total revenues to be $182 million to $188 million, down from previous guidance of $195 million to $206 million. Combined SG&A and R&D expenses for 2005 are projected to be between $121.5 million and $125.0 million. Diluted EPS for 2005 is projected to be in the range of $0.66 to $0.70, versus previous guidance of $0.88 to $0.92. The revised revenue and earnings guidance represents growth of approximately 28% over 2004 revenues and 33% over 2004 earnings.

Conference Call
Connetics will host a conference call to discuss Velac and the non-approvable letter today beginning at 8:00 a.m. eastern/5:00 a.m. pacific. To participate in the live call by telephone, domestic callers should dial (888) 328-2575, and international callers should dial (706) 643-0459. A telephone replay will be available for 96 hours beginning today at 10:00 a.m. eastern. To access the replay from the U.S., please dial (800) 642-1687; and from outside the U.S. please dial (706) 645-9291. The Conference ID# is 7101457. An internet broadcast will only be available in replay mode starting June 14th for 30 days at www.connetics.com.

About Connetics
Connetics Corporation is a specialty pharmaceutical company focused on the development and commercialization of innovative therapeutics for the dermatology market. Connetics has branded its proprietary foam drug delivery vehicle VersaFoam®. The Company's marketed products are OLUX® (clobetasol propionate) Foam, 0.05%, Luxiq® (betamethasone valerate) Foam, 0.12%, Soriatane® (acitretin) capsules and Evoclin™ (clindamycin) Foam, 1%. Connetics is developing Velac® (a combination of 1% clindamycin and 0.025% tretinoin) Gel, for treating acne, Desilux™ (desonide) VersaFoam-EF, 0.05%, a low-potency topical steroid formulated to treat atopic dermatitis, Primolux™ (clobetasol propionate) VersaFoam-EF, 0.05%, a super high-potency topical steroid formulation to treat atopic dermatitis and plaque psoriasis and Extina®, a foam formulation of the antifungal drug ketoconazole. Connetics' product formulations aim to improve the management of dermatological diseases and provide significant product differentiation. In Connetics' marketed products, these formulations have earned wide acceptance by both physicians and patients due to their clinical

effectiveness, high quality and cosmetic elegance. For more information about Connetics and its products, please visit www.connetics.com.

Forward Looking Statements
This press release contains "forward–looking statements" within the meaning of the Securities Litigation Reform Act. Statements about the impact of the non–approvable letter from the FDA to our business, our future plans for Velac, and projections for revenues and earnings for 2005 are forward–looking statements. These statements are based on certain assumptions made by Connetics' management based on experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond Connetics' control, and which could cause actual results or events to differ materially from those expressed in such forward–looking statements. Factors that could cause or contribute to such differences include, but are not limited to, risks and other factors that are discussed in documents filed by Connetics with the Securities and Exchange Commission from time to time, including Connetics' Annual Report on form 10–K filed for the year ending December 31, 2004 and form 10–Q for the quarter ended March 31, 2005. Forward–looking statements represent the judgment of the Company's management as of the date of this release, and Connetics disclaims any intent or obligation to update any forward–looking statements.

Contacts:
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Director, Investor Relations
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Press Release Code: (CNCT–G)

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EXHIBIT 19

CONNETICS CORP

3400 W BAYSHORE RD
PALO ALTO, CA 94303
415. 843.2800

8-K

FORM 8-K
Filed on 08/02/2005 - Period: 08/02/2005
File Number 000-27406

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8–K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): August 2, 2005

CONNETICS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**0–27406**	**94–3173928**
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

3160 Porter Drive, Palo Alto, California 94304

(Address of principal executive offices, including zip code)
(650) 843–2800

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8–K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a–12 under the Exchange Act (17 CFR 240.14a–12)

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Item 2.02. Results of Operations and Financial Condition.

On August 2, 2005 Connetics Corporation, issued a press release announcing earnings for the quarter ended June 30, 2005. A copy of the earnings release is furnished as Exhibit 99.1 to this report.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
99.1	Press Release dated August 2, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONNETICS CORPORATION

By: /s/ John L. Higgins
John L. Higgins
Executive Vice President, Finance and Corporate Development, and Chief Financial Officer

Date: August 2, 2005

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Exhibit Number	Description
99.1	Press Release dated August 2, 2005

CONNETICS CORP

3400 W BAYSHORE RD
PALO ALTO, CA 94303
415. 843.2800

EX-99.1

EXHIBIT 99.1
8-K Filed on 08/02/2005 - Period: 08/02/2005
File Number 000-27406

Exhibit 99.1

connetics

CONNETICS SECOND QUARTER REVENUES INCREASE 19 PERCENT
OLUX, Soriatane and Evoclin Achieve All–Time Quarterly Prescription Highs
Company Increases Full–Year Revenue Guidance

PALO ALTO, Calif. (August 2, 2005) — Connetics Corporation (NASDAQ: CNCT), a specialty pharmaceutical company that develops and commercializes dermatology products, announced today total revenues for the second quarter of 2005 were $45.4 million, an increase of 19% compared with 2004 second quarter total revenues of $38.3 million. During the second quarter of 2005 prescriptions written for OLUX®, Soriatane® and Evoclin™ reached all–time quarterly highs.

Second quarter sales of Soriatane were $18.3 million. Evoclin, launched in the fourth quarter of 2004, continued its strong introduction with sales of $7.0 million during the quarter, of which nearly $1 million represented sales to a U.S.–based distributor that exports branded pharmaceutical products to select international markets. This distributor relationship has been in place for Soriatane, OLUX and Luxíq® since 2004. Sales of OLUX during the quarter totaled $14.0 million. The product continues to enjoy strong prescription growth; however, net sales for the second quarter reflect a charge for unusually high wholesaler returns of approximately $2.3 million. The product returns are related to expired and estimated expiring product inventory at wholesalers, arising from past distribution practices by the wholesalers that are not expected to repeat under recently entered distribution service agreements. With these agreements in place, Connetics believes it has taken an appropriate one–time provision to address the OLUX returns. Sales of Luxíq during the quarter totaled $5.8 million.

Selling, general and administrative expenses for the second quarter of 2005 increased to $25.1 million from $17.2 million in the same period last year, reflecting expenses related to a near doubling of the Company's sales force, marketing and promotional activities related to the launch of Evoclin, and expenses related to the anticipated launch of Velac®. Research and development expenses for the second quarter of 2005 were $8.8 million, compared with $5.0 million last year, reflecting increased clinical activities including ongoing Phase III trials for Desilux™ VersaFoam–EF™ and Primolux™ VersaFoam–EF.

Net income for the second quarter of 2005 was $2.5 million, or $0.07 per diluted share. This compares with net income of $7.5 million, or $0.19 per diluted share, for the second quarter of 2004, and primarily reflects anticipated higher costs in 2005 associated with planned sales, marketing and product development programs.

The Company completed a Phase III Desilux clinical trial and expects to announce results in the third quarter of 2005. Assuming successful results, the Company anticipates filing a New Drug Application (NDA) in the fourth quarter of 2005. The Primolux clinical development program involves two separate Phase III trials; patient enrollment in the psoriasis trial is complete while patient enrollment in the atopic dermatitis trial continues. The Company expects to report Primolux Phase III results for both trials during the fourth quarter of 2005 and to submit an NDA to the FDA during the first quarter of 2006.

Connetics' cash and investments, including restricted cash, as of June 30, 2005 totaled $256.3 million.

(more)

"This quarter marked another solid performance by Connetics, with strong prescription growth across all of our products," said Thomas G. Wiggans, Chief Executive Officer of Connetics. "We are very pleased with the continued adoption of Evoclin as well as the refill prescriptions we are beginning to see. For the second half of the year, we anticipate an increased contribution from our co–promotion partnership with Ventiv, and will continue to focus on pipeline projects including the commencement of the Extina Phase III program in the third quarter of 2005. We are disappointed with the non–approvable letter we received for Velac in June. Addressing the FDA issues remains our highest priority as we work with the agency to determine requirements to obtain product approval for Velac."

Year–to–Date Financials

For the six months ended June 30, 2005 total revenues were $87.7 million, an increase of 39% compared with total revenues of $63.2 million for the first half of 2004.

SG&A expenses were $52.7 million compared with $32.3 million in the first half of 2004, reflecting the larger sales force, and marketing and promotional activities related to Evoclin and Velac. R&D expenses year to date were $14.6 million, up from $9.2 million last year as pivotal trials for Desilux and Primolux commenced this year.

Net income was $3.5 million, or $0.09 per diluted share, compared with net income of $9.3 million, or $0.25 per diluted share, for the comparable period last year.

Financial Guidance

For the third quarter of 2005, Connetics projects total revenues of $47.5 million to $49.5 million, and combined SG&A and R&D expenses in the range of $30 million to $31 million. Earnings per diluted share for the third quarter of 2005 are projected to be $0.22 to $0.24.

For the full year, the Company is increasing revenue and expense guidance and now anticipates total revenues to be in the range of $185 million to $190 million, compared with prior guidance of $182 million to $188 million. Combined SG&A and R&D expenses are now projected to be in the range of $125 million to $127 million, compared with prior guidance of $121.5 million to $125 million. Earnings per diluted share guidance for 2005 remains unchanged and is expected to be $0.66 to $0.70.

In determining the Company's financial guidance, Connetics' management considered many factors and assumptions including, but not limited to, current and projected prescription information; sales trend data of the Company's products; the potential generic availability of, and competitive threats to, the Company's products; size, reach and call frequency of the Company's selling organization; status, timing and progression of the Company's development projects; current and projected spending levels to support sales, marketing, development, and administrative activities; and other risk factors discussed in Connetics' publicly filed documents. The above guidance does not take into account the effect of expensing stock options or the potential impact of other components of Connetics' growth strategy, including possible future acquisitions of products, businesses and/or technologies.

Conference Call

Connetics will host a conference call to review key updates on areas including quarterly product performance, commercialization activities, the Ventiv co–promotion partnership, product pipeline, and financial highlights beginning at 4:30 p.m. Eastern Time/1:30 p.m. Pacific Time today. To participate in the live call by telephone, domestic callers should dial (888) 328–2575, and international callers should dial (706) 643–0459. To listen to the conference call live via the Internet, go to the investor relations section of www.connetics.com; a replay will be available for 30 days. The telephone replay will be available for 48 hours beginning today at 6:30 p.m. Eastern Time/3:30 p.m. Pacific Time by dialing (800) 642–1687 from the U.S. and (706) 645–9291 from outside the U.S. The Conference ID# is 7643227.

(more)

About Connetics

Connetics Corporation is a specialty pharmaceutical company focused on the development and commercialization of innovative therapeutics for the dermatology market. Connetics has branded its proprietary foam drug delivery vehicle VersaFoam®. The Company's marketed products are OLUX® (clobetasol propionate) Foam, 0.05%, Luxiq® (betamethasone valerate) Foam, 0.12%, Soriatane® (acitretin) capsules and Evoclin™ (clindamycin) Foam, 1%. Connetics is developing Velac® (a combination of 1% clindamycin and 0.025% tretinoin) Gel, for treating acne, Desilux™ (desonide) VersaFoam–EF, 0.05%, a low–potency topical steroid formulated to treat atopic dermatitis, Primolux™ (clobetasol propionate) VersaFoam–EF, 0.05%, a super high–potency topical steroid formulation to treat atopic dermatitis and plaque psoriasis, and Extina®, a foam formulation of the antifungal drug ketoconazole. Connetics' product formulations aim to improve the management of dermatological diseases and provide significant product differentiation. In Connetics' marketed products, these formulations have earned wide acceptance by both physicians and patients due to their clinical effectiveness, high quality and cosmetic elegance. For more information about Connetics and its products, please visit www.connetics.com.

Forward Looking Statements

Except for historical information, this press release includes "forward–looking statements" within the meaning of the Securities Litigation Reform Act. All statements included in this press release that address activities, events or developments that Connetics expects, believes or anticipates will or may occur in the future, including, particularly, statements about earnings estimates, future financial performance, and financial guidance, are forward–looking statements. Statements pertaining to revenue expectations, revenue growth, and regulatory and clinical milestones associated with Connetics' products or product candidates are also forward–looking statements. These forward–looking statements are based on certain assumptions made by Connetics' management based on its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond Connetics' control, and which could cause actual results or events to differ materially from those expressed in such forward–looking statements. Factors that could cause or contribute to such differences include, but are not limited to, risks and other factors that are discussed in documents filed by Connetics with the Securities and Exchange Commission from time to time, including Connetics' Annual Report on Form 10–K for the year ended December 31, 2004 and form 10–Q for the quarter ended March 31, 2005. Forward–looking statements represent the judgment of the Company's management as of the date of this release, and Connetics disclaims any intent or obligation to update any forward–looking statements.

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Release Code: (CNCT–F)

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imcguinness@lhai.com

Tables Follow
(more)

CONNETICS CORPORATION
Condensed Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues:				
Product	$ 45,239	$ 37,999	$ 87,429	$ 61,565
Royalty and contract	130	254	311	1,670
Total revenues	45,369	38,253	87,740	63,235
Operating costs and expenses:				
Cost of product revenues	4,982	3,578	8,748	5,146
Research and development	8,808	4,957	14,571	9,243
Selling, general and administrative	25,076	17,239	52,677	32,311
Depreciation and amortization	3,829	3,767	7,571	5,415
Total operating costs and expenses	42,695	29,541	83,567	52,115
Income from operations	2,674	8,712	4,173	11,120
Interest and other income (expense), net	(19)	(608)	(372)	(900)
Income before income taxes	2,655	8,104	3,801	10,220
Provision for income taxes	153	647	258	890
Net income	$ 2,502	$ 7,457	$ 3,543	$ 9,330
Net income per share:				
Basic	$ 0.07	$ 0.21	$ 0.10	$ 0.27
Diluted[1]	$ 0.07	$ 0.19	$ 0.09	$ 0.25
Shares used to calculate net income per share:				
Basic	34,825	35,242	35,259	34,439
Diluted[1]	37,093	41,627	37,785	40,925

(1) In accordance with SFAS No. 128, using the If–Converted Method, interest expense and amortized deal costs of $649,000 related to 2.25% convertible senior notes due in 2008 has been added back to net income for purposes of calculating net income per diluted share for the three month period ended June 30, 2004. Shares used to calculate net income per diluted share for the three month period ended June 30, 2004 include the dilutive effect of shares issuable upon exercise of outstanding stock options and warrants plus the effect of $90.0 million 2.25% convertible senior notes, which convert to approximately 4.2 million shares. No adjustment for the 2.25% convertible senior notes was made to the shares for the six months ended June 30, 2004 or the three or six months ended June 30, 2005 as the effect was antidilutive to earnings per share.

CONNETICS CORPORATION
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	June 30, 2005	December 31, 2004
Assets		
Assets:		
Cash, cash equivalents and short–term investments	$252,211	$ 72,383
Restricted cash	4,059	3,963
Accounts receivable and other current assets	34,401	35,750
Other intangible assets, net	115,589	122,388
Property and equipment, net	14,045	11,830
Other long–term assets	17,733	9,978
Total assets	$438,038	$ 256,292
Liabilities and Stockholders' Equity		
Liabilities and stockholders' equity:		
Current liabilities	$ 46,454	$ 37,952
Other liabilities	290,471	90,420
Stockholders' equity	101,113	127,920
Total liabilities and stockholders' equity	$438,038	$ 256,292

###

EXHIBIT 20

CONNETICS CORP

3400 W BAYSHORE RD
PALO ALTO, CA 94303
415. 843.2800

8-K

FORM 8-K
Filed on 11/01/2005 - Period: 10/31/2005
File Number 000-27406

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8–K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): October 31, 2005

CONNETICS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	0–27406	94–3173928
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

3160 Porter Drive, Palo Alto, California 94304
(Address of principal executive offices, including zip code)
(650) 843–2800
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8–K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a–12 under the Exchange Act (17 CFR 240.14a–12)
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Item 2.02 Results of Operations and Financial Condition.

On November 1, 2005, Connetics Corporation (the "Company") issued a press release announcing earnings for the quarter ended September 30, 2005. A copy of the earnings release is furnished as Exhibit 99.1 to this report.

Item 8.01 Other Events.

On October 31, 2005, the Company's Board of Directors authorized the repurchase of $50 million of the Company's common stock pursuant to a share repurchase program (the "Repurchase Program"). The Company may conduct its purchases from time to time in both privately negotiated and open market transactions or under Rule 10b5-1 of the Securities Exchange Act of 1934 for a period of up to one year, subject to management's evaluation of market conditions, applicable legal requirements and other factors. The Repurchase Program does not require Connetics to purchase a specific number of shares.

A copy of the press release announcing the Repurchase Program is filed as Exhibit 99.2 to this report.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

Exhibit No.	Description
99.1	Press Release dated November 1, 2005
99.2	Press Release dated November 1, 2005

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONNETICS CORPORATION

By: /s/ John L. Higgins
John L. Higgins
Executive Vice President, Finance and Corporate Development and Chief Financial Officer

Date: November 1, 2005

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EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated November 1, 2005
99.2	Press Release dated November 1, 2005

CONNETICS CORP

3400 W BAYSHORE RD
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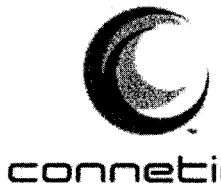
415. 843.2800

EX–99.1

EXHIBIT 99.1
8–K Filed on 11/01/2005 – Period: 10/31/2005
File Number 000–27406

Exhibit 99.1



CONNETICS REPORTS THIRD QUARTER REVENUES OF $55.3 MILLION AND DILUTED EPS OF $0.39

PALO ALTO, Calif. (November 1, 2005) — Connetics Corporation (NASDAQ: CNCT), a specialty pharmaceutical company that develops and commercializes dermatology products, announced today that its net income for the third quarter ended September 30, 2005 was $15.4 million, up from net income of $3.7 million for the third quarter of 2004. Diluted earnings per share increased to $0.39 from $0.10 for the comparable period in 2004. The Company's financial results for the 2005 third quarter include a $7.0 million revenue benefit due to a reserve adjustment, as described below.

Total revenues for the third quarter of 2005 were $55.3 million, an increase of 48% over total revenues of $37.3 million in the third quarter of 2004. Total product revenues for the quarter increased 49% to $55.2 million, up from $37.0 million in the third quarter of 2004, reflecting contribution from sales of Evoclin™, which was launched in December 2004, and continued growth in sales of Soriatane®, OLUX® and Luxíq®. Third quarter product sales included: Soriatane $23.1 million, Evoclin $7.7 million, OLUX $17.3 million and Luxíq $7.0 million.

Product revenues for the quarter include a one–time $7.0 million benefit from the reduction of revenue reserve estimates related to Soriatane. The original estimates, based on information available to the Company at the time it acquired the product rights from Roche in March 2004, were revised after Roche furnished actual product return and Medicaid information during the 2005 third quarter. Excluding the $7.0 million benefit, product revenues for the quarter were up 30% over the third quarter of 2004.

Selling, general and administrative expenses for the third quarter of 2005 increased to $23.4 million, from $16.8 million in the comparable period last year, primarily due to costs associated with a larger sales force and promotional activities related to Evoclin. Research and development expenses for the third quarter of 2005 were $8.2 million, compared with $6.0 million in the third quarter of 2004, reflecting the Company's late–stage clinical activities, including Phase III trials with Primolux™ and Extina®.

Connetics' cash and investments, including restricted cash, as of September 30, 2005, totaled $273 million.

"The third quarter marked another solid period of commercial growth while we continued to make progress advancing our product pipeline," said Thomas G. Wiggans, Chief Executive Officer of Connetics. "Evoclin continues to be the most successful product launch in our Company's history, and now is the leading branded clindamycin product in dermatology. In addition, the remainder of our product portfolio continues to enjoy revenue growth. We are investing significantly in our pipeline to drive our future growth, and we have several global licenses that we expect will begin generating new royalty and contract revenues for the Company in the coming year. In the final months of 2005, we continue to build a broad platform that will allow Connetics to become the leading medical dermatology company in the U.S."

Significant activities in the third quarter of 2005 and subsequent weeks included:

- Obtaining positive Phase III results with Primolux for psoriasis. The Primolux clinical program consists of two Phase III trials, one focusing on psoriasis and one on atopic dermatitis. In the psoriasis trial, Primolux demonstrated statistically significant positive results, and was safe and well–tolerated. The atopic dermatitis trial is ongoing, and the Company affirms that completion is anticipated in the current quarter.
- Initiating a Phase III clinical program with Extina, an investigational new drug formulation of 2% ketoconazole in the VersaFoam–HF™ delivery system for the treatment of seborrheic dermatitis. The trial is designed to demonstrate superiority to placebo foam, consistent with several meetings between the Company and U.S. Food and Drug Administration (FDA) representatives.
- Hosting Discovery Day 2005, a unique event for investors and financial analysts highlighting Connetics' development and commercial capabilities. Held on–site at the Company's new headquarters, the program featured hands–on demonstrations in Connetics' formulation and Center for Skin Biology labs, and presentations by senior management and three staff dermatologists.
- The announcement by Novartis Consumer Health of successful clinical trial results for the antifungal Lamisil® as a single–dose treatment for athlete's foot; this treatment is based on a patented topical delivery vehicle licensed from Connetics.
- Filing a patent infringement lawsuit against Agis (now Perrigo Israel) in response to its submission to the FDA of an abbreviated new drug application for a generic clobetasol foam.

Year–to–Date Financials

For the nine months ended September 30, 2005, total revenues were $143.1 million, an increase of 42% compared with total revenues of $100.6 million for the first nine months of 2004.

SG&A expenses for the first nine months of 2005 were $76.1 million compared with $49.1 million for the first nine months of 2004. R&D expenses for the first nine months of 2005 were $22.8 million, up from $15.3 million in the first nine months of 2004.

Net income was $18.9 million, or $0.50 per diluted share, compared with net income of $13.0 million, or $0.35 per diluted share, for the comparable period last year.

Financial Guidance

For the fourth quarter of 2005 Connetics projects total revenues of $47 million to $49 million, and combined SG&A and R&D expenses in the range of $29 million to $30 million. Earnings per share on a diluted "If Converted" basis for the fourth quarter of 2005 are projected to be $0.24 to $0.26.

The Company's full year total revenues are expected to be $190 million to $192 million, compared with prior guidance of $185 million to $190 million. Combined SG&A and R&D expenses are now projected to be in the range of $128 million to $129 million, compared with prior guidance of $125 million to $127 million. Earnings per share on a diluted "If Converted" basis for 2005 are expected to be $0.74 to $0.76, compared with prior guidance of $0.66 to $0.70.

In determining the Company's financial guidance, Connetics' management considered many factors and assumptions including, but not limited to, current and projected prescription information; sales trend data for the Company's products; the potential generic availability of, and competitive threats to, the Company's products; size, reach and call frequency of the Company's selling organization; status, timing and progression of the Company's development projects; current and projected spending levels to support sales, marketing, development, and administrative activities; and other risk factors discussed in Connetics' publicly filed documents. The above guidance does not take into account the effect of expensing stock options or the potential impact of other components of Connetics' growth strategy, including possible future acquisitions of products, businesses and/or technologies.

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Conference Call
Connetics will host a conference call to review highlights of the quarter, and key updates on topics including product performance, commercialization organization and activities, Velac status, and product pipeline. The call will begin at 4:30 p.m. Eastern time/1:30 p.m. Pacific time today. To participate in the live call by telephone, domestic callers should dial (888) 328–2575, and international callers should dial (706) 643–0459. To listen to the conference call live via the Internet, go to the investor relations section of www.connetics.com; a replay will be available for 30 days. The telephone replay will be available for 48 hours beginning today at 6:30 p.m. Eastern time/3:30 p.m. Pacific time by dialing (800) 642–1687 from the U.S. or (706) 645–9291 from outside the U.S. The Conference ID# is 1305997.

About Connetics
Connetics Corporation is a specialty pharmaceutical company focused on the development and commercialization of innovative therapeutics for the dermatology market. Connetics has branded its proprietary foam drug delivery vehicle VersaFoam®. The Company's marketed products are OLUX® (clobetasol propionate) Foam, 0.05%, Luxiq® (betamethasone valerate) Foam, 0.12%, Soriatane® (acitretin) capsules and Evoclin™ (clindamycin) Foam, 1%. Connetics is developing Velac® (a combination of 1% clindamycin and 0.025% tretinoin) Gel, for treating acne; Desilux™ (desonide) VersaFoam–EF, 0.05%, a low–potency topical steroid formulated to treat atopic dermatitis; Primolux™ (clobetasol propionate) VersaFoam–EF, 0.05%, a super high–potency topical steroid formulation to treat atopic dermatitis and plaque psoriasis; and Extina® (ketoconazole) VersaFoam–HF, 2%, to treat seborrheic dermatitis. Connetics' product formulations are designed to improve the management of dermatological diseases and provide significant product differentiation. In Connetics' marketed products, these formulations have earned wide acceptance by both physicians and patients due to their clinical effectiveness, high quality and cosmetic elegance. For more information about Connetics and its products, please visit www.connetics.com.

Forward Looking Statements
Except for historical information, this press release includes "forward–looking statements" within the meaning of the Securities Litigation Reform Act. All statements included in this press release that address activities, events or developments that Connetics expects, believes or anticipates will or may occur in the future, including, particularly, statements about sales growth of its product portfolio, investments in its product pipeline, revenues resulting from global licenses, the building of a product platform, completion of the atopic dermatitis trial, earnings estimates, future financial performance, and financial guidance, are forward–looking statements. Statements pertaining to revenue expectations, revenue growth, and regulatory and clinical milestones associated with Connetics' products or product candidates are also forward–looking statements. All forward–looking statements are based on certain assumptions made by Connetics' management based on its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond Connetics' control, and which could cause actual results or events to differ materially from those expressed in such forward–looking statements. Factors that could cause or contribute to such differences include, but are not limited to, risks and other factors that are discussed in documents filed by Connetics with the Securities and Exchange Commission from time to time, including Connetics' Annual Report on Form 10–K for the year ended December 31, 2004 and Form 10–Q for the quarter ended June 30, 2005. Forward–looking statements represent the judgment of the Company's management as of the date of this release, and Connetics disclaims any intent or obligation to update any forward–looking statements.

Contacts:

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Tables Follow
(more)

CONNETICS CORPORATION
Condensed Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenues:				
Product	$ 55,183	$ 36,999	$142,612	$ 98,564
Royalty and contract	158	345	469	2,015
Total revenues	55,341	37,344	143,081	100,579
Operating costs and expenses:				
Cost of product revenues	4,183	3,067	12,931	8,213
Research and development	8,223	6,038	22,794	15,281
Selling, general and administrative	23,378	16,789	76,055	49,100
Depreciation and amortization	3,882	3,738	11,453	9,153
Acquired in–process research and development	—	3,500	—	3,500
Total operating costs and expenses	39,666	33,132	123,233	85,247
Income from operations	15,675	4,212	19,848	15,332
Interest and other income (expense), net	160	(373)	(212)	(1,273)
Income before income taxes	15,835	3,839	19,636	14,059
Provision for income taxes	470	144	728	1,034
Net income	$ 15,365	$ 3,695	$ 18,908	$ 13,025
Net income per share:				
Basic	$ 0.44	$ 0.10	$ 0.54	$ 0.37
Diluted[(1)]	$ 0.39	$ 0.10	$ 0.50	$ 0.35
Shares used to calculate net income per share:				
Basic	35,075	35,510	35,197	34,794
Diluted[(1)]	40,812	38,064	41,665	37,179

(1) In accordance with SFAS No. 128, using the If–Converted Method, interest expense and amortized deal costs of $655,000 and $1,966,000 related to 2.25% convertible senior notes due in 2008 has been added back to net income for purposes of calculating net income per diluted share for the three and nine month periods ended September 30, 2005, respectively. Shares used to calculate net income per diluted share for the three and nine month periods ended September 30, 2005 include the dilutive effect of shares issuable upon exercise of outstanding stock options and warrants plus the effect of $90.0 million 2.25% convertible senior notes, which convert to approximately 4.2 million shares. No adjustment for the 2.25% convertible senior notes was made to the shares for the three or nine months ended September 30, 2004 as the effect would have been antidilutive to earnings per share.

CONNETICS CORPORATION
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	September 30, 2005	December 31, 2004
Assets		
Assets:		
Cash, cash equivalents and short–term investments	$ 268,865	$ 72,383
Restricted cash	4,059	3,963
Accounts receivable and other current assets	35,571	35,750
Goodwill and other intangible assets, net	118,461	128,659
Property and equipment, net	14,306	11,830
Other long–term assets	12,604	3,707
Total assets	$ 453,866	$ 256,292
Liabilities and Stockholders' Equity		
Liabilities and stockholders' equity:		
Current liabilities	$ 44,832	$ 37,952
Other liabilities	290,546	90,420
Stockholders' equity	118,488	127,920
Total liabilities and stockholders' equity	$ 453,866	$ 256,292

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Connetics Corporation
3160 Porter Drive
Palo Alto, CA 94304

CONNETICS CORP

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EX–99.2

EXHIBIT 99.2
8–K Filed on 11/01/2005 – Period: 10/31/2005
File Number 000–27406

Exhibit 99.2

connetics

CONNETICS ANNOUNCES $50 MILLION SHARE REPURCHASE PROGRAM

PALO ALTO, Calif. (November 1, 2005) — Connetics Corporation (NASDAQ: CNCT), a specialty pharmaceutical company that develops and commercializes dermatology products, announced today that the Company's Board of Directors has authorized the repurchase of up to $50 million in shares of Connetics common stock.

Under the repurchase program, shares of the Company's common stock may be repurchased from time to time in both privately negotiated and open market transactions or under Rule 10b5–1 of the Securities Exchange Act of 1934 for a period of up to one year, subject to management's evaluation of market conditions, applicable legal requirements and other factors. The repurchase program does not require Connetics to purchase a specific number of shares. As of September 30, 2005, Connetics had approximately 35 million shares outstanding with cash and investments, including restricted cash, totaling $273 million.

"With a strong balance sheet and positive cash flow — as well as growing product revenues, a robust new–product pipeline and future potential product launches — we believe that the current share price of Connetics stock neither reflects the strength of our current operations nor the long–term prospects of Connetics. Therefore, the time is right for us to initiate a share buyback program," said Thomas G. Wiggans, chief executive officer of Connetics. "We are able to undertake this repurchase program while continuing to fund all aspects of our business, and to invest in future strategic transactions to leverage our assets and create further stockholder value. Those transactions potentially include the acquisition of commercial or development–stage products, or the acquisition or licensing of innovative technologies."

About Connetics

Connetics Corporation is a specialty pharmaceutical company focused on the development and commercialization of innovative therapeutics for the dermatology market. Connetics has branded its proprietary foam drug delivery vehicle VersaFoam®. The Company's marketed products are OLUX® (clobetasol propionate) Foam, 0.05%, Luxiq® (betamethasone valerate) Foam, 0.12%, Soriatane® (acitretin) capsules and Evoclin™ (clindamycin) Foam, 1%. Connetics is developing Velac® (a combination of 1% clindamycin and 0.025% tretinoin) Gel, for treating acne; Desilux™ (desonide) VersaFoam–EF, 0.05%, a low–potency topical steroid formulated to treat atopic dermatitis; Primolux™ (clobetasol propionate) VersaFoam–EF, 0.05%, a super high–potency topical steroid formulation to treat atopic dermatitis and plaque psoriasis; and Extina® (ketoconazole) VersaFoam–HF, 2%, to treat seborrheic dermatitis. Connetics' product formulations are designed to improve the management of dermatological diseases and provide significant product differentiation. In Connetics' marketed products, these formulations have earned wide acceptance by both physicians and patients due to their clinical effectiveness, high quality and cosmetic elegance. For more information about Connetics and its products, please visit www.connetics.com.

(more)

Forward Looking Statements
Except for historical information, this press release includes "forward–looking statements" within the meaning of the Securities Litigation Reform Act. All statements included in this press release that address activities, events or developments that Connetics expects, believes or anticipates will or may occur in the future, including, particularly, statements about product revenues, its product pipeline, product launches, the long–term prospects of Connetics, strategic transactions, earnings estimates, future financial performance, and financial guidance, are forward–looking statements. Statements pertaining to revenue expectations, revenue growth, and regulatory and clinical milestones associated with Connetics' products or product candidates are also forward–looking statements. All forward–looking statements are based on certain assumptions made by Connetics' management based on its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond Connetics' control, and which could cause actual results or events to differ materially from those expressed in such forward–looking statements. Factors that could cause or contribute to such differences include, but are not limited to, risks and other factors that are discussed in documents filed by Connetics with the Securities and Exchange Commission from time to time, including Connetics' Annual Report on Form 10–K for the year ended December 31, 2004 and Form 10–Q for the quarter ended June 30, 2005. Forward–looking statements represent the judgment of the Company's management as of the date of this release, and Connetics disclaims any intent or obligation to update any forward–looking statements.

Contacts:

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EXHIBIT 21

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8-K

FORM 8-K
Filed on 05/03/2006 - Period: 03/03/2006
File Number 000-27406

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8–K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): May 3, 2006

CONNETICS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	0–27406	94–3173928
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

3160 Porter Drive, Palo Alto, California 94304

(Address of principal executive offices, including zip code)
(650) 843–2800

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8–K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a–12 under the Exchange Act (17 CFR 240.14a–12)

☐ Pre–commencement communications pursuant to Rule 14d–2(b) under the Exchange Act (17 CFR 240.14d–2(b))

☐ Pre–commencement communications pursuant to Rule 13e–4(c) under the Exchange Act (17 CFR 240.13e–4(c))

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Item 2.02 Results of Operations and Financial Condition

On May 3, 2006, Connetics Corporation, or the Company, issued a press release announcing its preliminary results for the quarter ended March 31, 2006, and its intent to restate financial results for prior periods. A copy of the earnings release is furnished as Exhibit 99.1 to this report.

Item 4.02 Non–Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review

On May 3, 2006, the Company concluded that its financial statements for the year ended December 31, 2005, and potentially additional periods, should no longer be relied upon. The Company has determined that its rebate reserves as of the end of 2005 were understated. Rebates are contractual discounts offered to government programs and private health plans which are eligible for rebates at the time prescriptions are dispensed, subject to various conditions. The Company records quarterly reserve provisions for rebates by estimating rebate liability for product sold, based on factors such as timing and terms of plans under contract, time to process rebates, product pricing, sales volumes, units held by distributors, and prescription trends. Upon review, the Company has concluded that the rebate rates and method used to calculate the rebate liability did not fully capture the impact of these factors in its historical provision. Accordingly, the Company plans to restate its financial statements for the year ended December 31, 2005, and potentially additional periods.

The Company intends to file an amended Form 10–K for the year ended December 31, 2005 and any other required amendments to its annual and periodic reports, which will include the restated financial statements, as soon as practicable after the Company completes its internal review and restatement of its financial statements and the external audit process is completed. The Company does not expect that it will be able to complete this process and make these filings before May 10, 2006, the deadline for timely filing the Form 10–Q for the quarter ended March 31, 2006.

The increase in the historical provision for rebate reserves will have the effect of decreasing revenues and earnings, accrued liabilities and retained earnings figures contained in our historical financial statements. We do not believe that this restatement will have an impact on the Company's historical cash position or operating expenses.

The Company and the audit committee of its board of directors have discussed the matters disclosed in this Current Report on Form 8–K with Ernst & Young LLP, the Company's independent registered public accounting firm.

Additionally, the Company is evaluating Management's Report on Internal Control Over Financial Reporting set forth in Item 9A on page 49 of the Company's 2005 Annual Report on Form 10–K. Although the Company has not yet completed its analysis of the impact of this situation on its internal controls over financial reporting, the need to restate prior period financial statements makes it highly likely that the Company had a material weakness in internal control over financial reporting as of December 31, 2005, and may have a material weakness in internal control over financial reporting as of other dates. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The existence of one or more material weaknesses means the Company could not conclude that its internal controls over financial reporting were effective as of year end. If the Company were to conclude

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that a material weakness existed as of December 31, 2005, it would expect to receive an adverse opinion on internal control over financial reporting from its independent registered public accounting firm.

On May 3, 2006, the Company issued a press release announcing its intent to restate financial statements for prior periods. A copy of the press release disclosing the planned restatement is attached as Exhibit 99.1 and is incorporated in this Item 4.02 by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated May 3, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONNETICS CORPORATION

By: /s/ Katrina J. Church
Katrina J. Church
Executive Vice President, Legal Affairs
General Counsel and Secretary

Date: May 3, 2006

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EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated May 3, 2006

CONNETICS CORP

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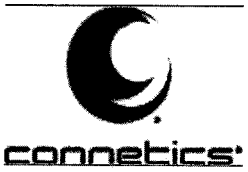
EX-99.1

EXHIBIT 99.1
8-K Filed on 05/03/2006 - Period: 03/03/2006
File Number 000-27406

Exhibit 99.1



CONNETICS REPORTS PRELIMINARY RESULTS FOR FIRST QUARTER 2006
Company to Restate Past Financial Results to Reflect Increased Rebate Reserve
Adjusts 2006 Financial Guidance Due to Increased Product Competition

PALO ALTO, Calif. (May 3, 2006) – Connetics Corporation (Nasdaq: CNCT), a specialty pharmaceutical company that develops and commercializes dermatology products, today announced preliminary financial results for the first quarter of 2006 and its plans to restate financial results for prior periods.

First Quarter Results

On a preliminary basis, net income for the first quarter ended March 31, 2006 was $0.8 million, or $0.02 earnings per share on a diluted basis, including stock–based compensation expense of $1.6 million, or $0.05 per diluted share, reflecting the adoption of SFAS 123R, accounting for stock–based compensation, as of January 1, 2006. On a non–GAAP basis excluding stock–based compensation, net income for the first quarter of 2006 was $2.4 million, or $0.07 per diluted share.

Total revenues for the first quarter of 2006 were $47.7 million, including Soriatane® sales of $19.0 million, OLUX® sales of $14.1 million, Evoclin® sales of $8.0 million and Luxiq® sales of $6.2 million. Royalty and contract revenues for the quarter were $0.4 million. These revenue amounts reflect the Company's preliminary application of the revised rebate accounting described below.

Selling, general and administrative (SG&A) expenses for the first quarter of 2006 were $30.8 million. SG&A expenses included costs for the Company's new pediatric sales organization which was acquired in the first quarter, and stock–based compensation of $1.3 million. Research and development (R&D) expenses for the first quarter of 2006 were $8.4 million, reflecting the Company's late–stage clinical and regulatory activities, including the user fee for the NDA submission for Primolux™ and Extina® clinical costs, as well as stock–based compensation of $349,000.

During the first quarter of 2006, the Company repurchased approximately 143,100 shares of its common stock for approximately $2.2 million, under its $50 million share repurchase program authorized in 2005. As of March 31, 2006, Connetics had cash and investments, including restricted cash of $248.3 million.

Restatement of Prior Periods to Adjust Rebate Reserves

Rebates are contractual discounts offered to government programs and to private health plans that are eligible for rebates at the time prescriptions are dispensed, subject to various conditions. The Company records quarterly reserve provisions for rebates by estimating rebate liability for product sold taking into consideration a number of factors including timing and terms of managed care contracts, time to process rebates, product pricing, sales volumes, units held by distributors and prescription trends. Upon review, the Company has concluded that the rebate rates and method used to calculate the rebate liability in prior periods did not fully capture the impact of these factors, and estimates that the cumulative impact of the change as of December 31, 2005 is approximately $8.0 million to $9.0 million. The estimated increased rebate reserve amount represents approximately 1.7% of cumulative total reported net sales for Connetics' four products.

(more)

By recording the additional rebate reserve to the balance sheet, aggregate historic net sales will be reduced by the amount of the reserve provision and net income and earnings per share will be reduced as well. A full analysis is underway to determine in which past periods the adjustment should be recorded and the amount of each such adjustment. Connetics is analyzing the restatement adjustments, and the estimated increased reserve amount described above is preliminary and subject to audit. The estimated increased rebate provision does not take into account any other potential adjustments in prior years that might arise. Connetics will file its Form 10-Q for the first quarter of 2006 with finalized first quarter results as well as its restated financial statements in amendments to prior reports with the Securities and Exchange Commission as soon as is practicable; the final reserve amount and the impact on prior-period revenues, net income and earnings per share will be available in these filings. The Form 10-Q for the first quarter of 2006 will be filed immediately after the restated prior year filings are amended.

In light of the restatement, investors should rely on Connetics' forthcoming restated financial statements and other financial information rather than previously filed financial statements and other financial information.

Business Highlights

"We had a busy and productive first quarter hitting all-time prescription highs with Evoclin, submitting a New Drug Application (NDA) for Primolux and licensing a new product technology for development," said Thomas G. Wiggans, Chief Executive Officer of Connetics. "In addition, we completed our acquisition of a pediatric sales force, which is now trained and in the field promoting Evoclin and Luxiq. While we have experienced increased pressure from recent competitive product launches, we remain focused on commercial success with our four marketed brands. We also are committed to product development, and our current product pipeline is larger than at any time in the Company's history. We currently have more than 10 products in development, with three having the potential to be approved and launched during the coming 18 months. Clearly a short-term priority is to file our restated financial results, but the revised accounting does not affect our underlying business model or growth prospects."

Significant activities in the first quarter of 2006 and subsequent weeks included:

- Acquiring the 80 territory sales organization of PediaMed Pharmaceuticals, Inc. This strategic acquisition leverages Connetics' commercial portfolio into an important market where the Company previously had limited presence, and expands its sales force to approximately 200 representatives calling on dermatologists and pediatricians.
- In-licensing technology rights for a potential treatment for hyperhidrosis (excessive sweating), and initiating a formulation development program utilizing this technology.
- Submitting a Citizen Petition to the U.S. Food and Drug Administration (FDA) requesting that any generic products that reference Soriatane (acitretin) meet several criteria in addition to rigorous bioequivalency testing prior to approval.
- Submitting an NDA to the FDA for Primolux™, a super-high potency topical steroid for the treatment of psoriasis and atopic dermatitis, formulated with 0.05% clobetasol propionate in the Company's proprietary VersaFoam-EF™ emulsion foam delivery vehicle.
- Receiving issuance of a second U.S. patent that covers Connetics' emulsion foam vehicle. This newly issued patent, along with one issued in 2004, provides patent protection for products incorporating Connetics' VersaFoam-EF formulation. Desilux™ and Primolux are based on the VersaFoam-EF technology. An NDA has been submitted for each product.
- Presenting eight posters at the American Academy of Dermatology's 64th annual meeting, demonstrating Connetics commitment to innovation, and the depth and breadth of its development

(more)

capability.

- Also, in January 2006 technology developed by Connetics was approved for sale. Pfizer received FDA approval for Men's Rogaine® (minoxidil, 5%) foam using Connetics' VersaFoam® technology. Connetics anticipates receiving initial royalties from sales of this product beginning in late 2006.

Financial Guidance

For the second quarter of 2006, Connetics projects total revenues of $50.5 million to $52.5 million. Second quarter operating expenses, including depreciation, are projected to be in the range of $37 million to $38 million. Connetics projects earnings per share on a diluted basis for the second quarter of 2006 of $0.07 to $0.09, including an estimated $1.6 million or approximately $0.04 per diluted share impact from expensing stock-based compensation. Non-GAAP diluted EPS for the second quarter of 2006 excluding expense for stock-based compensation is projected to be in the range of $0.11 to $0.13. Based on information currently available to the Company, Connetics is lowering 2006 revenue guidance. Total revenues are now expected to be $211 million to $217 million, compared with prior guidance of $221 million to $225 million, reflecting increased competition in the psoriasis market. Total operating expenses for 2006, including depreciation, are unchanged and projected to be between $146 million and $148 million. Diluted EPS for 2006 is projected to be in the range of $0.44 to $0.50, including an estimated $6.8 million or $0.17 per diluted share in stock-based compensation expense. This diluted EPS forecast assumes a 38% tax rate and a diluted "If-Converted" share count of approximately 39.7 million shares. This compares with previous guidance for 2006 diluted EPS of $0.49 to $0.53. Non-GAAP diluted EPS for 2006 excluding the expense for stock-based compensation is projected to be in the range of $0.61 to $0.67, compared with prior guidance of $0.67 to $0.71. This financial guidance reflects the Company's preliminary application of the new accounting methodology for rebate reserves.

The Company's financial guidance is based on a number of factors involving estimates and assumptions, and changes in these factors would affect actual future results. These factors include, among others, current and projected prescription information; sales trend data of the Company's products; the potential generic availability of, and competitive threats to, the Company's products; size, reach and call frequency of the Company's selling organization; status, timing and progression of the Company's development projects; current and projected spending levels to support sales, marketing, development and administrative activities; and other risk factors discussed in Connetics' publicly filed documents. The above guidance does not take into account the potential impact of other components of Connetics' growth strategy, including possible future acquisitions of products, businesses and/or technologies.

Conference Call

Connetics management will host a conference call to discuss the Company's financial performance today at 4:30 p.m. Eastern time/1:30 p.m. Pacific time. To participate in the live call, domestic callers should dial (888) 328-2575, international callers should dial (706) 643-0459 or the web cast can be accessed from the investor relations section of the Company's website at www.connetics.com. A telephone replay can be accessed for 48 hours beginning today at 6:30 p.m. Eastern time/3:30 p.m. Pacific time by dialing (800) 642-1687 from the U.S., or (706) 645-9291 from outside the U.S. The Conference ID# is 8090667. The internet replay of the call will be available for 30 days at www.connetics.com.

About Connetics

Connetics Corporation is a specialty pharmaceutical company focused on the development and commercialization of innovative therapeutics for the dermatology market. Connetics has branded its proprietary foam drug delivery vehicle VersaFoam®. The Company's marketed products are OLUX® (clobetasol propionate) Foam, 0.05%; Luxiq® (betamethasone valerate) Foam, 0.12%; Soriatane® (acitretin) capsules; and Evoclin® (clindamycin) Foam, 1%. Connetics is developing Desilux™ (desonide) VersaFoam-EF, 0.05%, a low-potency topical steroid formulated to treat atopic dermatitis; Primolux™ (clobetasol propionate) VersaFoam-EF, 0.05%, a super high-potency topical steroid formulation to treat atopic dermatitis and plaque psoriasis; Extina® (ketoconazole) VersaFoam-HF, 2%, to

(more)

treat seborrheic dermatitis; and Velac® (a combination of 1% clindamycin and 0.025% tretinoin) Gel, to treat acne. Connetics' product formulations are designed to improve the management of dermatological diseases and provide significant product differentiation. In Connetics' marketed products, these formulations have earned wide acceptance by both physicians and patients due to their clinical effectiveness, high quality and cosmetic elegance. For more information about Connetics and its products, please visit www.connetics.com.
Note: Rogaine® is a registered trademark of Pfizer, Inc. (formerly Pharmacia Corporation). Nothing in this press release should be construed to reflect commercial timing for this product.

Forward Looking Statements

Except for historical information, this press release includes "forward–looking statements" within the meaning of the Securities Litigation Reform Act. In particular, there can be no assurances as to when Connetics will be able to complete its restatement and file restated financial statements and amended reports with the Securities and Exchange Commission or the potential effects of any delays in such filings. All statements included in this press release that address activities, events or developments that Connetics expects, believes or anticipates will or may occur in the future, including, particularly, statements about its restatement and amended Securities and Exchange Commission filings, sales growth of its product portfolio, revenues resulting from product sales and global licenses, the timing and impact of approvals, earnings estimates, future financial performance and financial guidance, are forward–looking statements. All forward–looking statements are based on assumptions made by Connetics' management based on its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond Connetics' control, and which could cause actual results or events to differ materially from those expressed in such forward–looking statements. Factors that could cause or contribute to such differences include, but are not limited to, risks and other factors that are discussed in documents filed by Connetics with the Securities and Exchange Commission from time to time, including Connetics' Annual Report on Form 10–K for the year ended December 31, 2005. Forward–looking statements represent the judgment of the Company's management as of the date of this release, and Connetics disclaims any intent or obligation to update any forward–looking statements.

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Tables Follow
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CONNETICS CORPORATION
Preliminary Condensed Consolidated Statement of Operations
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31 2006
Revenues:	
Product	$ 47,267
Royalty and contract	394
Total revenues	47,661
Operating costs and expenses:	
Cost of product revenues	3,700
Research and development	8,417
Selling, general and administrative	30,812
Amortization of intangible assets	3,902
Total operating costs and expenses	46,831
Income from operations	830
Interest and other income (expense), net	429
Provision for income taxes	(491)
Net income	$ 768
Net income per share:	
Basic	$ 0.02
Diluted	$ 0.02
Shares used to calculate net income per share:	
Basic	33,646
Diluted	35,076

CONNETICS CORPORATION
Reconciliation of GAAP to Non–GAAP Earnings Per Share
(In thousands, except share and per share amounts)
(Unaudited)

On January 1, 2006, we adopted SFAS 123(R) and recorded stock–based compensation expense during the three months ended March 31, 2006. The table below presents net income excluding stock–based compensation, which is a Non–GAAP measure used by the Company when evaluating its financial results as well as for internal planning and forecasting purposes. This Non–GAAP measure should not be considered a substitute for or superior to financial measures calculated in accordance with GAAP. The following is a reconciliation of our GAAP and non–GAAP net income (in thousands, except per share amounts):

Net income (GAAP)	$ 768
Stock–based compensation expense:	
Selling, general and administrative	1,279
Research and development	349
Total stock–based compensation expense	1,628
Net income excluding stock–based Compensation expense (Non–GAAP) (1)	$ 2,396
Shares used in per share calculation – diluted (Non– GAAP)	35,076
Net income per share – diluted, excluding stock–based Compensation expense (Non–GAAP)	$ 0.07

(1) Due to the Company's deferred tax assets being offset by a valuation allowance, there is no tax impact from the stock–based compensation expense.

CONNETICS CORPORATION
Preliminary Condensed Consolidated Balance Sheet
(In thousands)
(Unaudited)

	March 31, 2006
Assets	
Assets:	
Cash, cash equivalents and investments	$ 244,198
Restricted cash	4,059
Accounts receivable and other current assets	46,366
Other intangible assets, net	123,697
Property and equipment, net	14,296
Other long–term assets	11,981
Total assets	$ 444,597
Liabilities and Stockholders' Equity	
Liabilities and stockholders' equity:	
Current liabilities (1)	$ 48,700
Long–term liabilities	290,526
Stockholders' equity (1)	105,371
Total liabilities and stockholders' equity	$ 444,597

(1) Current Liabilities have been increased and Stockholders' Equity has been decreased by $8.5 million, the mid–point of the $8.0 million to $9.0 million estimate for increased rebate reserves, compared to the December 31, 2005 Balance Sheet included in the filed 2005 Form 10–K. This preliminary number represents an estimate of the incremental rebate reserve and related cumulative net income impact as of December 31, 2005.

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